

Message Text

SECRET

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ACTION NEA-10

INFO OCT-01 ISO-00 AGRE-00 AID-05 EB-07 OMB-01 TRSE-00
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FM AMEMBASSY DACCA
TO SECSTATE WASHDC 5167

S E C R E T SECTION 1 OF 2 DACCA 3440

E.O. 11652: GDS
TAGS: EAID, EAGR, BG
SUBJ: PRESIDENT ZIA'S VIEWS ON THE FOODGRAIN SITUATION

1. I HAD AN HOUR AND A HALF MEETING WITH PRESIDENT ZIA ON THE EVENING OF JUNE 23 TO GO OVER MATTERS OF COMMON INTEREST BEFORE MY RETURN TO WASHINGTON ON CONSULTATION. THIS MESSAGE REPORTS ON OUR DISCUSSION OF THE FOODGRAIN SITUATION.

2. I OPENED THIS PORTION OF THE CONVERSATION BY NOTING THAT WE WERE SERIOUSLY CONCERNED OVER THE CONTINUED POOR PERFORMANCE OF THE AGRICULTURAL SECTOR OF THE BANGLADESH ECONOMY. THIS CONCERN IS ALSO SHARED BY OTHER DONORS AND IS REFLECTED IN THE RECENT WORLD BANK REPORT ON BANGLADESH AS WELL AS IN THE PAPERS PREPARED BY SEVERAL RECENT SURVEY MISSIONS. I NOTED THAT BANGLADESH HAS FERTILE SOIL AND HARD-WORKING FARMERS, YET ITS PER ACRE PRODUCTION IS AMONG THE LOWEST IN ASIA. THERE ARE, IN FACT, INDICATIONS THAT ACREAGE UNDER HIGH YIELD RICE VARIETIES IS DECLINING AND THAT THE AREA COVERED BY TUBEWELLS HAS ALSO BEEN REDUCED. OF PARTICULAR IMPORTANCE, THE INCENTIVE PRICE FOR THE FARMER CONTINUES TO BE INADEQUATE.

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I SAID WE HAD NOTED WITH GREAT INTEREST PRESIDENT ZIA'S SPEECHES DURING THE PERIOD BEFORE THE RECENT REFERENDUM CALLING FOR EVENTUAL SELF-SUFFICIENCY IN FOODGRAIN PRODUCTION AND AN INCREASE IN PRODUCTION BY 50 PERCENT IN THE SHORT TERM. I ASKED PRESIDENT ZIA HOW HIS GOVERNMENT PLANS TO ACHIEVE THAT GOAL.

3. ZIA AGREED WITH MY ANALYSIS AND SAID THE PRESENT SITUATION IS FAR FROM SATISFACTORY. HE BELIEVES BANGLADESH DEFINITELY HAS THE POTENTIAL TO BE SELF-SUFFICIENT IN FOODGRAINS. THERE IS UNUTILIZED AND UNDERUTILIZED LAND, WHERE PRODUCTION CAN BE INCREASED, AND IMPROVEMENTS ARE ALSO NEEDED IN THE DISTRIBUTION OF SEEDS, FERTILIZER AND OTHER ESSENTIAL ITEMS. HE AGREES ALSO ON THE IMPORTANCE OF PRICE LEVELS AS AN INCENTIVE TO THE PRODUCER. ZIA SAID THE PROBLEM HERE, AS IN MOVING AHEAD WITH FAMILY PLANNING PROGRAMS AND OTHERS, IS BASICALLY THE LACK OF EFFICIENCY WITHIN THE BDG. THE GOVERNMENT, HE SAID, FUNCTIONS FAR TOO SLOWLY. BUREAUCRACY IS INGRAINED; THERE ARE TOO MANY GOVERNMENT EMPLOYEES IN DACCA, AND THEY SPEND MOST OF THEIR TIME "PASSING PAPERS TO EACH OTHER". HE IS MOVING AHEAD NOW WITH PLANS TO FORCE MANY OF THE BUREAUCRATS INTO THE FIELD WHERE THE REAL ACTION IS, TO IMPROVE TRAINING OF CIVIL SERVANTS WHICH LAPSED FIVE YEARS AGO, AND TO TIGHTEN ADMINISTRATIVE PROCEDURES.

4. WITH SPECIFIC REFERENCE TO FOOD PRODUCTION, ZIA SAID HE HAS GIVEN ORDERS TO MOVE AHEAD RAPIDLY IN FOUR AREAS:

(A) HE HAS NOTED IN TRAVELS AROUND BANGLADESH THAT
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A GOOD DEAL OF LAND IS STILL UNCULTIVATED. HE HAS ISSUED ORDERS THAT ALL LAND SHOULD BE BROUGHT UNDER CULTIVATION IMMEDIATELY.

(B) HE HAS FOUND ALSO THAT THE ROUGHLY 100,000 PONDS IN BANGLADESH ARE UNDERUTILIZED. THESE NEED TO BE STOCKED WITH FISH TO SUPPLEMENT THE DIET.

(C) MANY PUMPS THROUGHOUT THE COUNTRY ARE OUT OF OPERATION. HE HAS ISSUED ORDERS THAT THESE SHOULD BE REPAIRED AT ONCE, USING MILITARY WORKSHOPS IF NECESSARY. WHERE SPARE PARTS ARE REQUIRED, THESE WILL BE IMPORTED AS A MATTER OF TOP PRIORITY.

(D) FERTILIZER DISTRIBUTION LEAVES MUCH TO BE DESIRED. ZIA SAID HE IS WORKING NOW ON PLANS TO IMPROVE THIS SYSTEM.

5. I SAID THERE WERE TWO OTHER FACTORS WHICH BEAR ON FOODGRAIN PRODUCTION AND WHICH HAVE ATTRACTED A GREAT DEAL OF ATTENTION AMONG DONORS: THE RATION SYSTEM AND FOODGRAIN STOCK LEVELS. ZIA AGREED AND VOLUNTEERED

THAT HE HAS ALREADY DECIDED TO ELIMINATE RELATIVELY WELL-TO-DO GROUPS FROM THE SUBSIDIZED RATION SYSTEM. THE GOVERNMENT IS STUDYING THE BEST WAY TO DO THIS, AND ACTION WILL BE TAKEN BEFORE THE END OF THE YEAR. RELATED TO THIS, ZIA SAID HE WAS GREATLY DISAPPOINTED BY THE GOVERNMENT'S FAILURE TO MEET ITS PROCUREMENT TARGETS EARLIER THIS YEAR. HE REGARDS AN EFFECTIVE PROCUREMENT PROGRAM AS ONE FACTOR IN HELPING MAINTAIN AN ADEQUATE INCENTIVE PRICE FOR THE FARMER. HE SAID HE MADE HIS DISSATISFACTION KNOWN TO THE FOOD MINISTRY IN NO UNCERTAIN TERMS AND IS CONFIDENT THAT THE MINISTRY WILL DO BETTER IN MEETING FUTURE TARGETS.

6. I SAID AN ADDITIONAL IMPORTANT STEP WOULD BE
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INCREASING PRICES UNDER THE RATION SYSTEM TO REDUCE THE SUBSIDY AND THE DEPRESSIVE EFFECT THIS HAS ON FOODGRAIN PRICES IN GENERAL. ZIA AGREED AND SAID HE COULD TELL ME IN STRICTEST CONFIDENCE THAT PRICES OF RATIONED ITEMS WILL BE INCREASED LATER THIS YEAR DURING THE AMAN HARVEST. HE COULD NOT MAKE A PUBLIC STATEMENT AT THIS TIME SINCE THIS WOULD GENERATE COUNTER-PRESSURES WHICH WOULD MAKE IT DIFFICULT TO GO AHEAD WITH THESE INCREASES BUT HE SAID, "YOU HAVE MY WORD THAT PRICES WILL DEFINITELY BE RAISED."

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TO SECSTATE WASHDC 5168

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7. REGARDING STOCK LEVELS, ZIA SAID, GIVEN THE FREQUENCY OF NATURAL DISASTERS IN BANGLADESH, HE FEELS IT IS IMPORTANT TO HAVE FOODGRAIN STOCKS AT THE PEAK PERIOD (PRESUMABLY JUNE 30) OF ONE MILLION TONS. THIS FIGURE, HE SAID, HAS BEEN ENDORSED BY THE WORLD BANK AND OTHER OBSERVERS. I SAID HAVING THIS MUCH FOODGRAIN IN STORAGE WOULD SEEM TO ME TO CREATE ADMINISTRATIVE PROBLEMS. GIVEN THE LIMITED MANAGERIAL CAPABILITY TO WHICH ZIA HAD REFERRED EARLIER, IT SEEMED TO ME THAT MAINTAINING SUCH LARGE STOCKS RISKED SPOILAGE, INFESTATION, PILFERAGE AND OTHER PROBLEMS, IN ADDITION TO THE SHEER COST OF MAINTAINING THESE STOCKS. HOWEVER, RATHER THAN ARGUE ABOUT STOCK LEVELS, I SAID I WAS FAR MORE INTERESTED IN THE DEVELOPMENT AND IMPLEMENTATION OF A COMPREHENSIVE PROGRAM WHICH WOULD PROVIDE ADEQUATE PRICE INCENTIVE FOR THE FARMERS, ENSURE THE AVAILABILITY OF NECESSARY SUPPLIES FOR THEM, AND ENABLE BANGLADESH TO MOVE STEADILY TOWARD ITS GOAL OF SELF-SUFFICIENCY. TO ACHIEVE THIS GOAL, BANGLADESH NEEDS, FOR THE NEXT FEW YEARS, ASSURED SOURCES OF FOREIGN GRAIN TO COVER THE DEFICIT. FOR OUR PART, WE AND OTHER DONORS NEED ASSURANCES THAT PLANS WILL BE DEvised AND CARRIED OUT TO MOVE AS RAPIDLY AS POSSIBLE TOWARD SELF-SUFFICIENCY. I HOPED WE COULD
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APPROACH THESE TWO INTER-RELATED OBJECTIVES IN A SPIRIT OF PARTNERSHIP RATHER THAN REPEAT AGAIN THE DIFFICULTIES DONORS AND THE BDG HAVE EXPERIENCED OVER THE PAST YEAR OR SO IN REACHING AGREEMENT ON THE PROPER LEVEL OF FOOD AID.

8. ZIA AGREED. HE SAID HE KNEW THERE HAD BEEN SERIOUS SHORTCOMINGS ON THE PART OF THE BDG IN HANDLING FOODGRAINS AND IN PRESENTING THEIR CAUSE TO DONORS. ALSO, HE WAS FULLY AWARE THAT THEIR STATISTICS WERE INADEQUATE AND INCONSISTENT. HE WAS TRYING TO IMPROVE THIS SITUATION AS RAPIDLY AS POSSIBLE. I EXPRESSED APPRECIATION FOR THIS AND SAID I HOPED THERE COULD BE A FULL AND CONSTRUCTIVE DISCUSSION OF THE FOODGRAIN PROBLEM AT THE PARIS DONORS' MEETING, LOOKING TOWARDS SOME BETTER AND MORE ORDERLY WAY OF MEETING OUR MUTUAL OBJECTIVES. ZIA AGREED AND SAID HE WOULD DISCUSS THE MATTER WITH DR. HUDA, WHO WILL HEAD THE BANGLADESH DELEGATION TO PARIS.

9. I ALSO WENT OVER WITH ZIA MY DISCUSSION EARLIER IN THE DAY WITH AIR VICE MARSHAL MAHMOOD CONCERNING POSSIBLE CHANGE IN THE WHEAT-RICE MIX OF OUR PL-480 TITLE I AMENDMENT NOW BEING NEGOTIATED (DACCA 3409). ZIA AGREED

WITH THE DECISION TO GO AHEAD WITH THE PRESENT PACKAGE,
STRESSING THE IMPORTANCE OF QUICK ARRIVALS.
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